

# **THE BALANCED SCORECARD AND THE PURSUIT OF EXCELLENCE IN HUMAN RESOURCE MANAGEMENT**

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Human resource specialists at the U.S. Department of Transportation (DOT) have always been relied upon as performance management gurus by the federal managers and employees they serve. Measuring their *own* performance, however, was something most had not considered doing--or at least didn't consider until a momentous day in November 1997. That's when a select group of human resource specialists, representing nine separate DOT operating administrations (e.g., Federal Aviation Administration, U.S. Coast Guard, and Transportation Administrative Service Center), was briefed on the methodology described by Robert S. Kaplan and David P. Norton in their book, The Balanced Scorecard--Translating Strategy into Action.

The group was spellbound, intrigued, excited ... and quickly became convinced that the balanced scorecard could significantly help them improve human resource services at DOT. On that important November day, the human resource measurement action team (hereafter referred to as "the measurement team") was chartered to measure the effectiveness of human resource programs developed for the more than 60,000 DOT employees they serve nationwide. Since then, the use of the balanced scorecard has transformed how DOT delivers its human resource services.

## **What Was In It For TASC?**

Of the nine DOT human resource offices, the Transportation Administrative Service Center's (TASC) Human Resource Services group is DOT's only fee-for-service organization and has been so since its inception in 1995. Unlike the other offices that are funded by appropriations from Congress, TASC provides human resource services to DOT (as well as other government agencies) on an entrepreneurial basis, collecting a fee for the services it provides. While customer service is important to all nine offices, it is particularly important to TASC Human Resource Services since its continued operation depends upon its ability to win and retain customers. TASC realizes that to continue to provide top quality service, it has to work at positioning its customers for the future--a future that requires new and different human resource solutions and increased responsiveness to customer preferences.

The measurement team members from TASC immediately jumped onto the balanced scorecard bandwagon. Always interested in customer feedback, its human resource office had already conducted a customer satisfaction

telephone survey earlier in the year and had received some useful information. But the balanced scorecard approach offered so much more!

Kaplan and Norton's multi-dimensional balanced scorecard would capture input from customers, human resource employees and human resource managers on five different perspectives:

1. **Financial Perspective** -- Does the office maximize the cost effectiveness of its programs?
2. **Customer Focus** -- How satisfied is the customer with the products and services?
3. **Internal Business** -- Does the office ensure a diverse, technologically skilled human resource workforce and effectively provide the basic human resource functions?
4. **Innovation and Learning** -- Does the office engage in continuous improvement to ensure that on-going human resource practices are meeting customer needs?
5. **Human Resource Employee Empowerment** -- Does the leadership and working environment enhance the human resource employees' job performance?

From these five perspectives emerged the following ten measurement goals:

1. **Timeliness** -- How satisfied are customers that products and services are delivered in a timely manner?
2. **Quality** -- How satisfied are customers with the quality of the products and services?
3. **Service/Partnership** -- How satisfied are customers with the responsiveness, teamwork, cooperation, communication, and resourcefulness of the human resource staff?
4. **Quality Work Environment** -- How satisfied is the human resource employee with the opportunities for growth, the work tools available, the communication with management, current benefits and job security?
5. **Executive Leadership** -- How well does human resource management foster a professional environment that promotes organizational partnering, team building, resource sharing, employee growth and development, and the evolution of human resource management practices and services in tune with changing trends?
6. **Excellence in Human Resource Programs** -- How well does the office perform its basic services [staffing, position classification, compensation, performance management, learning and development, awards and recognition, labor and employee relations, work life programs and benefits]?
7. **Effective Use of Information Technology** -- How effectively does the office use available personnel information and data systems as well as

keep abreast of and pursue opportunities to implement new automation and technology capabilities?

8. **Quality Workforce** -- How well is the office able to recruit and retain a talented, diverse, professional human resource workforce capable of making innovative changes?
9. **Mission Goals** -- How well does the office develop, work on, and monitor specific, continuous improvement goals to ensure that on-going human resource practices are meeting the needs of the customer?
10. **Financial Perspective** -- How effectively does the office manage costs by improving processes, re-engineering and realigning programs, and automating labor-intensive systems?

The balanced scorecard was just the assessment tool that TASC Human Resource Services had been looking for.

### **Creating the Model**

The measurement team attended three days of formal training at the FAA Team Technology Center in Washington, D.C. Lori Byrd, a DOT analyst who worked on Vice President Gore's National Performance Review team and collaborated with authors Kaplan and Norton, conducted the training. In 1993, she began her balanced scorecard work by participating on an interagency procurement working group that developed a Procurement Acquisition Balanced Scorecard Model. This model has been successfully used for the last six years and is now being used by 47 procurement offices in major federal agencies.

Ms. Byrd encouraged the measurement team to "steal shamelessly" from the procurement model to develop a human resource methodology that involved:

- setting measures to assess critical aspects of the human resource operation (e.g., customer satisfaction, operational costs, etc.) to give a balanced picture of effectiveness;
- gathering data on those measures by surveying customers, human resource employees, and human resource managers; and
- analyzing the data to identify strengths and opportunities for improvement.

With the help of FAA's group systems software, the thirteen-member measurement team brainstormed, debated, negotiated, and persuaded, ultimately defining the perspectives, goals, and measures. They then constructed the survey instruments necessary to assess the performance of DOT's human resource programs.

## Methods of Data Collection

Four methods of data collection (see Exhibit 1) were used in conducting the assessment. Three sets of stakeholders were surveyed to provide the evaluation data. The surveys were ultimately combined to present a comprehensive picture of organizational performance.

### EXHIBIT 1

#### Data Collection Methods

1. **Customer Survey** – sent to those using the services of the human resource organization;
2. **Employee Survey** – completed by all employees of the human resource organization;
3. **Management Self-Assessment Survey** – completed by supervisors, team leaders, and managers within the human resource office; and
4. **Statistical Report** – compilation of data collected by all the DOT human resource organizations with accompanying spider charts.

The statistical report, referred to as a “spider chart” because of its resemblance to a spider web, compared results and offered an opportunity to benchmark best practices among participating organizations. The best scores were at the extremity of the spider web. The goal was to score at the farthest end of the web above the average of the participating organizations, depicting as close to a “perfect” circle as possible. Deviations below the average identified areas for improvement.

### EXHIBIT 2

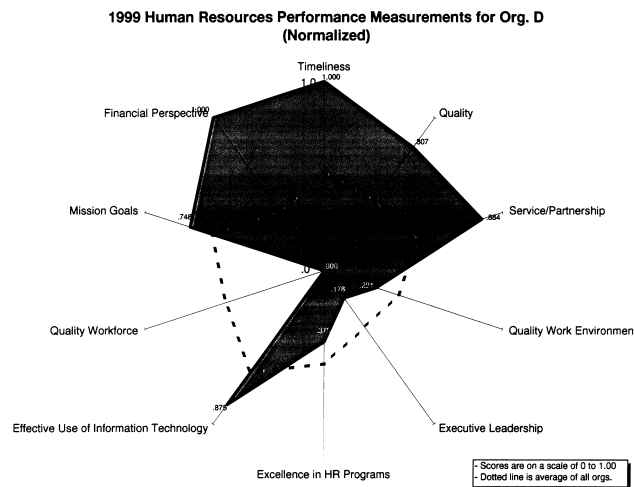


Exhibit 2 shows a spider chart of a fictitious organization. Scores are recorded on a scale of 0 to 1.00 -- 1.00 being the best of all participants. The dotted line represents the mean score of all participating organizations. Given these results, Organization D's low score on "Quality Workforce" identifies an opportunity for benchmarking the practices of the organizations that scored significantly higher. Conversely, other organizations would probably benefit from benchmarking Organization D's practices that contributed to its high scores in "Financial Perspective" and "Timeliness."

## **Validation of Survey Instruments**

Before the model was implemented DOT-wide, a beta test was conducted to validate the performance goals and the measures that would be used to track progress toward the goals, as well as to get feedback from employees, customers, and managers on the three survey instruments. The Federal Railroad Administration and the Maritime Administration volunteered to be the subjects of the beta test (although they claim that when the call went out, they were the only ones still standing in place after everyone else quietly stepped back).

Both Administrations conducted the beta test, which included a sample of customers and all the human resource employees and managers. The test group completed surveys, reviewed the results, and participated in a focus group discussion to critique both the surveys and the process. Fellow measurement team members helped facilitate the focus groups. The valuable information gleaned through this process enabled the measurement team to modify the survey instruments to get more accurate and focused feedback. To add further credibility to the surveys, a research psychologist from the U.S. Coast Guard thoroughly reviewed all the survey questions to ensure they were not structured to solicit a particular response.

## **Advantages of the Balanced Scorecard Methodology**

After developing and testing the model, the measurement team quickly discerned the many advantages of the balanced scorecard methodology. The process:

- was cost effective (the DOT model was developed using existing human resource staff);
- empowered human resource organizations to make enhancements to programs and procedures;
- allowed an unlimited number of organizations to participate in the process;

- collected customer, human resource employee and human resource manager input and perspectives;
- created a database of performance indicators;
- enabled human resource offices to benchmark the effectiveness of their practices with one another; and
- provided the opportunity to recognize and reward best practices.

### **Not a “Gotcha” System**

While the measurement team agreed that it was important to share results among human resource organizations, there was an underlying concern among some members that the balanced scorecard could become a “gotcha” system rather than an opportunity to improve overall organizational performance. After much debate, a decision was made to “blind” or conceal the name of each organization. Only the human resource organization and the departmental program manager would be able to identify the owner of a particular set of results. For benchmarking best practices, the program manager would serve as a liaison to help organizations share information with one another. Once the decision was made to blind the data, the measurement team enthusiastically proceeded to implement the balanced scorecard approach throughout DOT.

### **Implementation**

In April 1998, the balanced scorecard process went “live.” Each human resource office surveyed its customers, human resource employees and human resource managers. Some conducted focus groups to obtain more detailed feedback from customers. The measurement team helped administer the surveys and conduct the focus groups and shared both the successes and lessons learned with one another.

The measurement team manually entered the survey data into an Excel spreadsheet and submitted the data to the departmental program manager for consolidation. Although this part of the process was tedious, the survey results were immediately available to each human resource office.

When all the participating organizations had entered their data, the departmental program manager distributed the comparative results and spider charts. Each organization was able to see how well it had scored on the ten measurement goals in comparison to the other participating organizations.

## **TASC begins**

TASC was the first DOT human resource organization to complete the surveys, analyze the data, and develop an action plan based on the raw data--even before it received the comparative data and spider charts. Based on the raw data, TASC was pleased to discover that its customers had scored them highly on "Timeliness," "Quality," and "Service Partnership." The complete "balanced" picture, however, highlighted opportunities for improvement. While the customer survey scores indicated high satisfaction with the services rendered, the human resource employee survey scores indicated possible problems in employee morale. In addition, the management self-assessment suggested program areas for improvement.

## **The TASC Analysis**

TASC took its entire human resource staff off-site to the FAA's Team Technology Center for a day to analyze the data.

### **EXHIBIT 3**

#### **Where TASC Is Not Doing So Well**

- ❶ Management does not step forward to establish/sustain creative ways to build office morale.
- ❷ Workload is not distributed fairly.
- ❸ The morale in the human resource office is low.
- ❹ Individual contributions are not rewarded.
- ❺ Management does not support an environment where people feel safe to take risks.
- ❻ Working conditions (e.g., noise level, temperature, ventilation, cleanliness, space, and lighting) are unacceptable.

[From TASC Human Resource Employee Survey]

After reviewing the many program strengths the data had revealed, TASC's human resource staff spent a lot of time analyzing the issues detailed in Exhibit 3 and the management self assessment data on human resource programs. The staff realized they would not be able to maintain high customer ratings without paying some attention to the "health" of their own organization.

The staff used group systems software to brainstorm solutions. Each staff member sat at a computer and anonymously entered proposed solutions for each of the challenges presented. No one was inhibited by having to verbally present ideas or thoughts before the group. All suggestions received equal consideration.

Because TASC staff members could express themselves candidly in an open and anonymous forum, valuable insights were gained about what might be “behind” some of the low scores on the human resource employee survey. For example, internal policies were clarified on a variety of levels:

- Some staff were unaware training funds were budgeted for each member of the staff.
- Some staff did not know the approval of alternative work schedules was delegated to teams, providing there was no gap in office coverage or reduction in productivity.
- Some staff felt work was distributed disproportionately and high visibility assignments tended to be assigned to the same individuals, limiting the potential for others to develop their skills.

At the end of the brainstorming session, the staff left the Team Technology Center with an analysis of a great deal of data that provided the basis for an ambitious action plan. The action plan was subsequently discussed and ratified by the entire TASC Human Resource Services staff.

## **The Action Plan**

TASC presented its plan of action as a result of the balanced scorecard assessment in an attractive tri-fold pamphlet, *The TASC Human Resource Services Annual Report*. It included the fiscal year (FY) 1998 accomplishments initiated because of the 1997 customer telephone survey, the action plan for FY 1999, and a staff directory. This report was distributed to approximately 900 employees and managers so customers could see the results of the survey effort that they had participating in, where improvements had been made, and where additional improvements were planned. Exhibit 4 shows the FY 1999 Action Plan from this report.

### **EXHIBIT 4**

#### ***TASC Human Resource Services Annual Report* FY 1999 Action Plan**

- Create a diversity recruitment team to put together a recruitment model, including an outreach plan, as appropriate.



- ❖ Make greater use of automation tools for classification, benefits processing and new employee processing.
- ❖ Explore using 360-degree performance feedback as a performance improvement/development tool.
- ❖ Offer performance management workshops to managers.
- ❖ Continually enhance the TASC Human resource Services home page [<http://www.tasc.dot.gov/human resource>]
- ❖ Benchmark other DOT human resource offices based on the results of the Balanced Scorecard.
- ❖ Encourage managers to use the "SF-52 Reminder for Recruit Requests" checklist.
- ❖ Visit managers regularly to proactively get ahead of problems and issues.
- ❖ Make calls regularly to our customers.

The action items designed to address internal morale issues were not shared with customers (see Exhibit 5). Instead they were made part of the human resource staff's internal action plan to address the issues that had emerged as part of the self-assessment.

## **EXHIBIT 5**

### **TASC's Internal Action Plan**

- ❖ Create a team to explore developmental activities for SVC-190 staff that will encourage human resource employees to take responsibility for making their learning and development a priority;
- ❖ Assure that the Principal recognizes all promotions and awards at staff meetings;
- ❖ Use time-off awards and on-the-spot awards to recognize accomplishments;
- ❖ Send more thank you's to and from everyone;
- ❖ Recognize employees as warranted at each staff meeting for a job well-done and/or lessons learned – even if they were not successful;
- ❖ Encourage staff to speak openly at staff meetings about lessons learned; and
- ❖ Institutionalize communication [e.g., E-mail] when help is needed – ask for a *Go Team*.

One important outcome of the balanced scorecard process was the development of *Go Teams*. To facilitate heavy workloads, TASC institutionalized a *Go Team* concept where overloaded staff members send

out a distress signal via electronic mail, asking co-workers for help. Available staff now works together dedicating as much time as they can spare from their own assignments to assist peers.

### The TASC spider

After all the other human resource offices had completed and submitted their survey data, the departmental program manager distributed the blinded spider charts.

### EXHIBIT 6 TASC Spider Chart

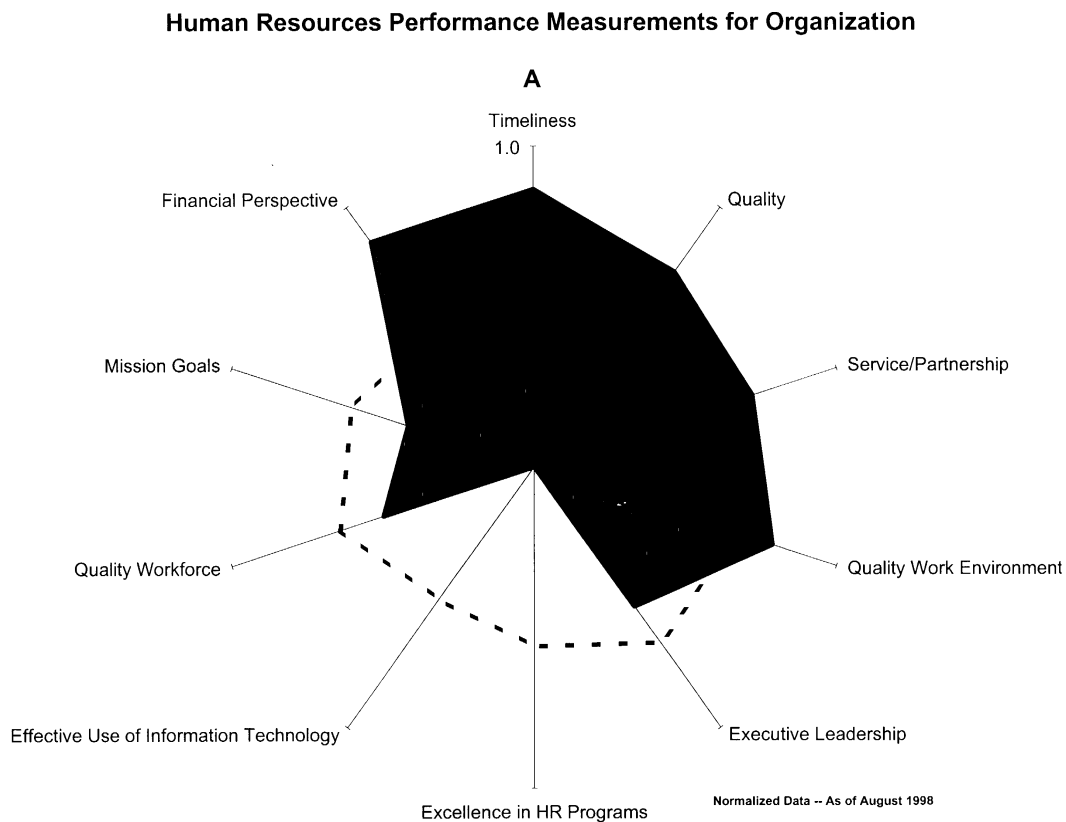


Exhibit 6 shows TASC's results in comparison to other human resource organizations at DOT. Although TASC had already analyzed its raw data and developed an action plan, it was useful to see how it performed compared to the other organizations. In five of the measures, TASC's performance exceeded the departmental average represented by the dotted line.

- The ratings customers gave TASC for "Timeliness," "Quality," and "Service/Partnership" all exceeded the ratings received by comparable human resource organizations at DOT.
- As a fee-for-service organization, TASC was able to validate that the value it added from a "Financial Perspective" was also above average.
- Although TASC human resource employees voiced some dissatisfaction with the opportunity for growth, TASC was above average on "Quality Work Environment."

In the areas below the departmental average, the TASC staff was convinced that completion of the action plan would improve next year's scores because:

- The managers and team leaders had been given lots of suggestions about how to improve "Executive Leadership" by opening up lines of communication within the human resource organization itself.
- The development and implementation of the "first ever" TASC Human Resource Services action plan would improve "Mission Goals."
- "Effective Use of Information Technology" would improve with the initiatives to automate position classification, benefits, and new employee forms that had been discussed at the FAA Team Technology Center.
- "Quality Workforce" would improve with the establishment of a team to explore and promulgate developmental opportunities and recruitment strategies.

## **Next Steps**

DOT has recently completed the department's second human resource balanced scorecard. This year the survey process, data collection and the analysis were automated and each organization surveyed 100 percent of its customers--a significant change from the previous year's paper and pencil survey of a small random sample of customers. Using this technology, the response rate dramatically improved thus improving the statistical validity of the process.

## **TASC's Ratings Improve**

TASC was gratified to see that customers, employees and managers had responded positively to changes in most areas of its human resource operation.

- In 1999, 68 percent of the customers rated the organization's overall performance as above average. In 1998, only 59 percent did. TASC's clear commitment to improving services and customer focus resulted in a nearly 10 percent improvement in customer ratings. In 1999, TASC scored the best in overall performance of all the other participating organizations.

- In 1999, TASC scored the best of all participants for "Timeliness" and "Financial Perspective" and second best for "Service/Partnership," "Quality," and "Information Technology."
- Ratings by the human resource employees also improved. Most human resource employees credited the significant improvement in ratings from 1998 to 1999 to a more open environment of internal communication and the development of an action plan for improving and clarifying issues important to employees.

A comparison of the findings from the human resource employee surveys, in Exhibit 7, shows positive results over the previous year in many important areas:

**EXHIBIT 7**  
**Comparison of Survey Results**

<u>Survey Question</u>	<u>% HR employees that agreed</u>	
	<u>1998</u>	<u>1999</u>
☐ Management steps forward to establish/sustain creative ways to build office morale.	26%	41%
☐ Workload is distributed fairly.	26%	71%
☐ The morale in the human resource office is high.	26%	41%
☐ Management supports an environment where people feel safe to take risks.	56%	69%
☐ Working conditions (e.g., noise level, temperature, ventilation, cleanliness, space, and lighting) are acceptable.	58%	89%
☐ The human resource office is always looking for ways to do things better.	68%	85%
☐ The human resource office takes an innovative approach to meet my needs.	63%	85%

TASC has issued a second annual report that provides FY 1999 accomplishments and the FY 2000 action plan to continue its efforts to ensure the best quality and value of the human resource services it offers.

**DOT's lessons learned**

With two years of survey results behind it, the measurement team offered valuable lessons learned:

- A team approach, using many human resource organizations rather than a single organization, is very effective for developing and refining the balanced scorecard methodology.
- Validation of survey instruments is essential.
- Automating the data collection methods greatly facilitates the process.
- Repeating the process annually offers an opportunity to monitor the pace and direction of continuous improvement initiatives.
- The organization's employees are a fertile source of improvement ideas and offer invaluable insights into the health of the organization.
- A survey is useless if nothing is done with the results.
- Developing and implementing an action plan aimed at specifically responding to the results of an assessment is critical to expedite continuous improvement.
- It is imperative to proactively communicate with customers about what has been learned and what is being done about it.

### **DOT's Vision for the Future**

The measurement team is looking at a variety of areas for improving the overall process:

- **Survey Forms** – study the possibility of consolidating the three basic surveys into a single instrument.
- **Human Resource Balanced Scorecard Reports** – consider design improvements and the addition or deletion of reports currently provided.
- **Flexibility** – ensure the ability of organizations to maintain flexibility in the administration and use of the balanced scorecard methodology.
- **Benchmarking** -- encourage DOT human resource organizations to benchmark best practices with each other.

### **TASC's vision**

With the help of the balanced scorecard, TASC Human Resource Services is pursuing their vision of excellence in human resource management.

- TASC's FY 2000 vision includes continuous improvement in human resource program performance, which is paramount in maintaining and improving the high level of service its customers have come to expect.
- TASC will benchmark best practices in human resource with other organizations within and outside DOT.
- This year's action plan continues to focus on providing extraordinary customer service and improving the quality of worklife for employees, managers and the TASC human resource staff.

### **Executive Summary**

- In the past two years, the Department of Transportation and TASC have transformed how they deliver human resource services with the initiatives developed based on balanced scorecard results.
- The human resource scorecard balances five perspectives in assessing overall performance: financial, customer, internal business, innovation and learning, and human resource employee empowerment.
- Using the results of the balanced scorecard to develop, communicate, and implement an action plan aimed at specific organizational improvements is critical to expedite continuous improvement.
- Over a two-year period using the balanced scorecard, TASC Human Resource Services realized a nearly 10% improvement in customer ratings resulting from its clear commitment to improving services and customer focus.

### **Author Biographies**

MARY PAT DONELAN, M.Ed., has more than 15 years of experience creating solutions to a wide range of human resource problems, such as executive resources, minority recruitment, performance management, and effective use of incentive awards. She is currently Team Leader of the Maximizing Performance Team in TASC Human Resource Services, U.S. Department of Transportation. Ms. Donelan can be reached at [mary.pat.donelan@tasc.dot.gov](mailto:mary.pat.donelan@tasc.dot.gov).

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